

Avoiding Investment Fraud

The Campaign for
Wise and Safe Investing™

AARP™
FOUNDATION



DFI
Department of Financial Institutions
Kentucky
UNBOWLED SPIRIT

Avoiding Investment Fraud

- If we plan to retire, what should we do?

INVEST (Safely!)

- Investment fraud is increasing:

**Americans lose an estimated
\$300-600 billion each year to fraud
since 2003.**

Who's Getting Scammed?

Investment Fraud Victims

- **More financially literate**
- **More likely to listen to sales pitches**
- **More likely to rely on their own experience and knowledge when making investment decisions**
- **Dramatically under-report fraud**

Avoiding Investment Fraud

- **Suitable Investments?**
- **Warning signs of a scam**
- **How to check it out – and where to report fraud**

Common Investment Scams

- **Suitable Investments?**

If an investment is unsuitable, it might mean:

- **Bad information on risks and benefits**
- **A bad product for your situation**

- **Phony Investments**

Suitable Investments?

- **Variable Annuities:**
 - **Tax-deferred, long-term insurance products**
 - **Allow a consumer to receive payments for life**
 - **Commissions, withdrawal penalties and surrender charges may be high**

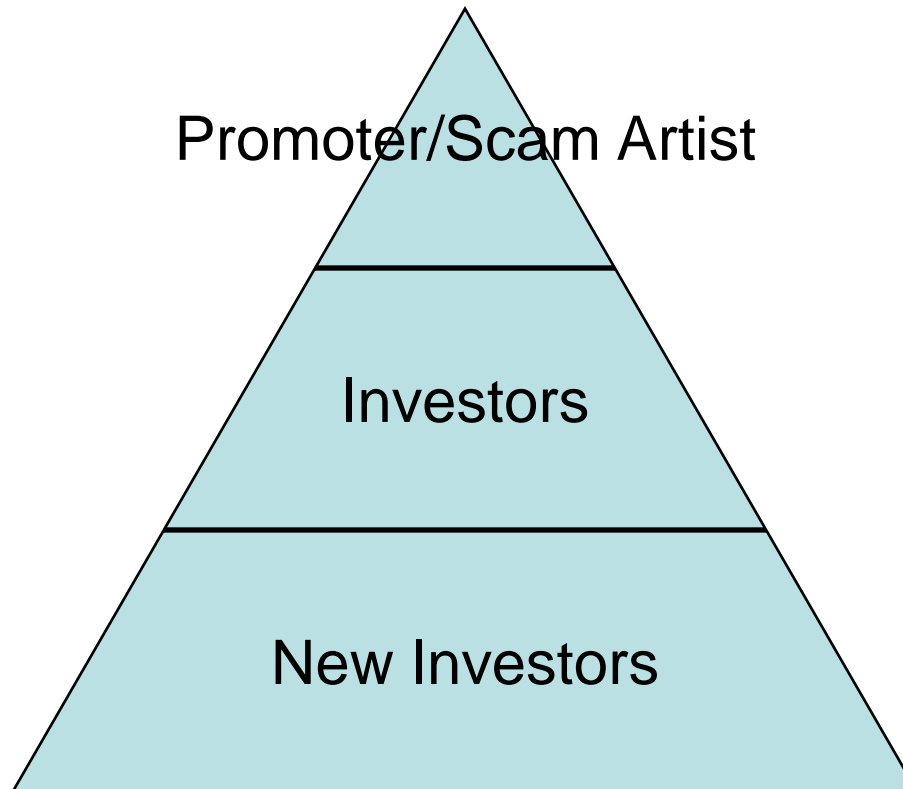
Suitable Investments?

- **Life Settlements (Viaticals):**
 - **Sale of a life insurance policy to a third party**
 - **Purchaser pays premiums until the insured person dies**
 - **Understand the terms before buying or selling**

Suitable Investments?

- **Promissory Notes:**
 - **Loan to a company**
 - **High rate of return**
 - **Not usually sold to the general public**

Phony Investments



Warning Signs of a Scam

**The Cons are Pros –
and very convincing!**

Warning Signs of a Scam

Red Flag “Promises”

- **High return – no risk!**
- **Profit guaranteed!**
- **For YOU only**
- **Today only**
- **Make the check out to me**
- **I’ll get you the paperwork later**

Warning Signs of a Scam

Red Flag “Promises”

Trust me.

Warning Signs of a Scam

Red Flag “Promises”

**Trust me!
I’m just like
you.**

Protect Yourself

- **Take your time**
- **Do your homework before investing**
 - **Get it in writing!**
 - **Check it out!**
- **Be skeptical of unsolicited calls**

Protect Yourself

- **Have a plan to get off of the phone**
- **Don't trust testimonials**
- **Consider the source**
- **Contact your securities regulator:**
 - **Get information about the opportunity AND the person offering it**

Protect Yourself... and Others

- **The Kentucky Department of
Financial Institutions (DFI)
Division of Securities
1-800-223-2579
www.kfi.ky.gov**
- **FINRA Broker Check
1-800-289-9999
www.finra.org**

Investor Education Resources

- **AARP**
www.aarp.org
- **Securities and Exchange Commission**
1-800-732-0330
www.sec.gov
- **North American Securities
Administrator's Association (NASAA)**
www.nasaa.org

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